

## Message Text

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11

ORIGIN EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 L-03 FEA-01 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

/103 R

DRAFTED BY EB/OT/GCP:RTBANQUE:DI

APPROVED BY EB/OT:CWSCHMIDT

COMMERCE:BMARSH:RFRANCIS

AGRICULTURE:JBENSON

STR:HHENTGES

LABOR:JCOYLE

TREASURY:AGAULT

EUR/RPE:ECASEY

EUR/IB:MDURKEE

L/EB:CROH

----- 034658

R 092345Z SEP 75

FM SECSTATE WASHDC

TO AMEMBASSY MADRID

INFO USDEL MTN GENEVA

USMISSION GENEVA

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD, SP

SUBJECT: SPAIN AND GSP: PRODUCT LIST

REFS: (A) STATE 120075 (NOTAL), (B) MADRID 4196 (NOTAL),

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(C) MADRID 2923 (NOTAL)

1. INCLUDED IN THIS TELEGRAM IS THE TEXT OF A NOTE ON  
THIS SUBJECT FOR PRESENTATION BY THE EMBASSY TO THE

MINISTRY OF FOREIGN AFFAIRS. THE NOTE SHOULD CARRY AS AN ATTACHMENT THE LIST OF U.S. EXPORTS WHICH WASHINGTON AGENCIES HAVE CONCLUDED ARE THE MOST IMPORTANT PRODUCTS WHICH ARE OR ARE LIKELY TO BE SIGNIFICANTLY ADVERSELY AFFECTED BY THE TARIFF PREFERENCES THAT SPAIN GRANTS THE EC UNDER THE 1970 EC-SPAIN AGREEMENT. THE DEPARTMENT IS ALSO PASSING THE PRODUCT LIST ONLY TO THE SPANISH EMBASSY IN WASHINGTON.

## 2. TALKING POINTS

DURING THE PRESENTATION OF THE NOTE THE EMBASSY SHOULD MAKE THE FOLLOWING POINTS:

A. CRITERIA. THE PRODUCT LIST CONSTITUTES THE MORE IMPORTANT U.S. EXPORTS SUFFERING SIGNIFICANT ADVERSE

EFFECTS FROM TARIFF PREFERENCES FROM OUR POINT OF VIEW. THE LIST WAS DEVELOPED USING THE FOLLOWING CRITERIA:

1) A SIGNIFICANT MARGIN EXISTS BETWEEN THE MFN TARIFF AND THE TARIFF APPLIED BY SPAIN TO IMPORTS FROM THE EC, AND,

2) U.S. EXPORTS TO SPAIN ARE OF SUBSTANTIAL VALUE.

## B. SPANISH ACTIONS

IN ORDER TO MEET THE REQUIREMENTS OF SECTION 502(B)(3) AND BE INCLUDED AS A GSP BENEFICIARY ON JANUARY 1. SPAIN WILL BE ASKED TO:

(1) MAKE MFN DUTY REDUCTIONS BEFORE JANUARY 1, 1976 IN ORDER TO ELIMINATE EXISTING SIGNIFICANT ADVERSE EFFECT.

(2) AGREE TO SET UP A MECHANISM TO ASSURE THAT THERE WILL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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BE NO SIGNIFICANT ADVERSE EFFECT FROM FUTURE TARIFF REDUCTIONS FOR THE EC.

(3) FYI: THE FINAL DETAILS ARE BEING RESOLVED IN THE ISRAELI CASE, HOWEVER THE ISRAELI ACTIONS WILL BE OF THE TWO-PART FORM ABOVE. A SIGNIFICANT DIFFERENCE IN THE TWO CASES IS THAT ISRAEL DOES, BUT SPAIN DOES NOT NOW HAVE THE ABILITY TO REDUCE MFN DUTIES TO THE LEVEL OF EC DUTIES. ACCORDING TO THEIR PRESENT AGREEMENT, SPAIN MUST REDUCE EC DUTIES WHENEVER MFN DUTIES ARE LOWERED. THEREFORE, IN ORDER TO ELIMINATE MARGINS OF PREFERENCE, SPAIN WOULD HAVE TO REDUCE MFN DUTIES TO ZERO. THIS

DIFFERENCE IN THE TWO AGREEMENTS COULD RESULT IN

SUBSTANTIAL DIFFERENCES IN THE DETAILS OF THE ACTIONS  
THE TWO COUNTRIES TAKE UNLESS SPAIN WERE TO OBTAIN A  
PARTIAL DISPENSATION FROM THE EC FOR MFN REDUCTIONS TO  
EC RATES.

WASHINGTON AGENCIES HAVE NOT YET WORKED OUT DETAILS OF  
INITIAL U.S. POSITION (E.G., DUTY REDUCTIONS FOR  
SPECIFIC PRODUCTS) FOR U.S.-SPAIN CONSULTATIONS. EMBASSY  
WILL BE INFORMED AS POSITION TAKES SHAPE. END FYI.

C. CONSULTATIONS. WE PREFER THAT THE CONSULTATIONS  
TAKE PLACE IN WASHINGTON AND SUGGEST THE FIRST WEEK OF  
OCTOBER, IF THAT IS CONVENIENT TO THE SPANISH GOVERNMENT.

### 3. BACKGROUND

AS THE EMBASSY IS AWARE, JANUARY 1 WAS ANNOUNCED IN  
THE SECRETARY'S SPEECH ON SEPTEMBER 1 AT THE UNITED  
NATIONS SEVENTH SPECIAL SESSION AS THE IMPLEMENTATION  
DATE FOR THE UNITED STATES GENERALIZED SYSTEM OF  
PREFERENCES. THE SPAIN-EC AGREEMENT DOES NOT SEEM TO  
OFFER SPAIN THE FLEXIBILITY TO ELIMINATE THE TARIFF  
PREFERENCES WITHOUT REDUCING THE SPANISH MFN RATE TO  
ZERO. HOWEVER, SPAIN IS IN THE MIDST OF RENEGOTIATING  
ITS RELATIONSHIP WITH THE EC. WE WOULD EXPECT THAT THE  
GOS WOULD BE TAKING ITS INTEREST IN OUR GSP INTO  
ACCOUNT IN THE COURSE OF ITS NEGOTIATIONS WITH THE EC.  
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IN THIS CONNECTION, WE WOULD NOT BE INTERESTED IN:

-- PAYING FOR THE ELIMINATION OF PREFERENCES IN THE  
MTN, OR

-- AN AGREEMENT TO EXTEND TARIFF PREFERENCES TO THE U.S.  
ALONE.

IN REPLY TO REFERENCE B, THE IDEA OF PHASING A COUNTRY  
OUT OF "DEVELOPING" STATUS HAS BEEN UNDER DISCUSSION IN  
WASHINGTON IN OTHER CONTEXTS BUT NOT WITH RESPECT TO  
GSP WHICH IS TEMPORARY AND PROVIDES FOR COMPETITIVE  
NEED EXCLUSION BY INDUSTRIES. HOWEVER, THE REQUIREMENTS  
OF THE TRADE ACT, AS THE EMBASSY HAS POINTED OUT, ARE  
QUITE SPECIFIC ON THE SUBJECT OF REVERSE PREFERENCES,  
AND WE ARE OBLIGED TO SEEK ELIMINATION OF SIGNIFICANT  
REVERSE PREFERENCES.

### 4. NOTE FOLLOWS: QUOTE.

THE EMBASSY OF THE UNITED STATES OF AMERICA PRESENTS  
ITS COMPLIMENTS TO THE MINISTRY OF FOREIGN AFFAIRS AND  
HAS THE HONOR TO REFER TO  
THE UNITED STATES SYSTEM OF TARIFF PREFERENCES FOR  
DEVELOPING COUNTRIES AND ITS RELATION TO THE TARIFF  
PREFERENCES ACCORDED BY SPAIN TO THE EUROPEAN COMMUNITIES.

THE MINISTRY WILL RECALL THAT THE PRESIDENT SIGNED THE  
TRADE ACT OF 1974 ON JANUARY 3, 1975. SECTION 501 OF  
THE ACT EXTENDS TO THE PRESIDENT THE RIGHT TO PROVIDE  
DUTY FREE TARIFF TREATMENT TO THE ELIGIBLE PRODUCTS  
FROM BENEFICIARY DEVELOPING COUNTRIES. SECTION 502(B)  
IMPOSES LIMITATIONS ON THE PRESIDENT'S AUTHORITY TO  
DESIGNATE BENEFICIARY DEVELOPING COUNTRIES. IN  
PARTICULAR, THE PRESIDENT MAY NOT DESIGNATE ANY COUNTRY  
A BENEFICIARY DEVELOPING COUNTRY QUOTE ...(3) IF  
SUCH COUNTRY AFFORDS PREFERENTIAL TREATMENT TO THE

PRODUCTS OF A DEVELOPED COUNTRY, OTHER THAN THE UNITED  
STATES, WHICH HAS, OR IS LIKELY TO HAVE, A SIGNIFICANT  
ADVERSE EFFECT ON UNITED STATES COMMERCE, UNLESS THE  
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PRESIDENT HAS RECEIVED ASSURANCES SATISFACTORY TO HIM  
THAT SUCH PREFERENTIAL TREATMENT WILL BE ELIMINATED  
BEFORE JANUARY 1, 1976, OR THAT ACTION WILL BE TAKEN  
BEFORE JANUARY 1, 1976, TO ASSURE THAT THERE WILL BE NO  
SUCH SIGNIFICANT ADVERSE EFFECT, AND HE REPORTS THOSE  
ASSURANCES TO CONGRESS... UNQUOTE.

THE GOVERNMENT OF THE UNITED STATES HAS IN THE PAST  
CONVEYED ITS CONCERN OVER THE EFFECTS ON THE EXPORTS OF  
THE UNITED STATES OF TARIFF PREFERENCES ACCORDED BY SPAIN  
TO THE EUROPEAN COMMUNITIES. THE EMBASSY WISHES TO  
INFORM THE MINISTRY THAT THE GOVERNMENT OF THE UNITED  
STATES HAS COMPLETED A REVIEW OF THE EFFECTS AND HAS  
FOUND THAT THE MARGINS OF TARIFF PREFERENCE HAVE HAD AND  
ARE LIKELY TO HAVE AN ADVERSE EFFECT ON THE EXPORTS OF  
THE UNITED STATES. THE EMBASSY FURTHER WISHES TO CONVEY  
THE ATTACHED LIST OF PRODUCTS WHICH, IT HAS BEEN  
CONCLUDED, HAVE SUFFERED, OR ARE LIKELY TO SUFFER SUCH  
ADVERSE EFFECT.

THE GOVERNMENT OF THE UNITED STATES INVITES THE  
GOVERNMENT OF SPAIN TO ENTER INTO CONSULTATIONS ON WHAT  
MEASURES MAY APPROPRIATELY BE TAKEN TO ELIMINATE THE  
ADVERSE EFFECTS ON U.S. EXPORTS SHOULD THE GOVERNMENT OF  
SPAIN WISH TO AVAIL ITSELF OF THE BENEFITS OF THE U.S.  
SYSTEM OF PREFERENCES.

THE EMBASSY AVAILS ITSELF OF THE OPPORTUNITY TO RENEW TO

THE MINISTRY OF FOREIGN AFFAIRS ITS ASSURANCES OF ITS  
HIGHEST CONSIDERATION. UNQUOTE.

5. PRODUCT LIST FOR ATTACHMENT TO NOTE WILL FOLLOW BY  
SEPTEL. GOS TARIFF INCREASES IN LATE JUNE WERE NOT RPT  
NOT TAKEN INTO ACCOUNT IN PREPARING LIST POUCHED BY  
DURKEE (EUR/IB). COPY OF REVISED LIST--WHICH INCLUDES  
ELEVEN ADDITIONAL TARIFF LINE ITEMS--BEING  
POUCHED 9/9 FOR KENT GOODSPEED. EMBASSY SHOULD MAKE  
CLEAR WHEN PRESENTING THE PRODUCT LIST THAT THERE MAY  
BE MINOR TYPOGRAPHICAL CHANGES WHEN THE TYPED VERSION IS  
RECEIVED FROM WASHINGTON.

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6. WE ARE AWARE OF BASSOLS IDEA FOR CONSULTATIONS AT  
TECHNICAL LEVEL BEGINNING SEPTEMBER 20 (REF C).  
SCHEDULES OF OTHER GSP CONSULTATIONS AND GSP PRODUCT  
REVIEW PRECLUDES CONSULTATIONS BEFORE SEPTEMBER 29 -  
OCTOBER 3. KISSINGER

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